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FOLLOWING REPEAT SAN JOSE 05037 ACTION SECSTATE 12 DEC 75
QUOTE

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E.O. 11652: N/A

TAGS: ETRD, NU, CS

SUBJECT: GSP REPRESENTATION TO COSTA RICA

REF: (A) STATE 277516

(B) STATE 277726

SUMMARY. GSP REPRESENTATIONS TO COSTA RICAN GOVERNMENT
AND BUSINESS GROUPS FOLLOWED INSTRUCTIONS AND GUIDANCE
IN REFTELS. REACTION WAS FAVORABLE COUPLED WITH INTEREST
IN SEEING LIST OF PRODUCTS ASAP. PRESIDENT ODUBER QUOTED
IN PRESS AS SAYING THAT GSP WILL BENEFIT COSTA RICA. A
MORE RESERVED COMMENT IN THE PRESS CAME FROM ENRIQUE
GONZALEZ, THE DIRECTOR OF THE EXPORT PROMOTION CENTER,
WHO POINTED OUT THE LIMITATIONS SET BY THE COMPETITIVE
NEED PROVISIONS. WORKING LEVEL PEOPLE AT THE MINISTRY
OF ECONOMY EXPRESSED THE SAME CONCERNS REGARDING THE
COMPETITIVE NEED LIMITATION. THEY ALSO BROUGHT UP
ISSUE OF USG GRANTING SPECIAL AND EXCLUSIVE PREFERENCES TO
LATIN AMERICA. ESSENTIALLY, THEY ASKED IF THE ISSUE
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OF EXCLUSIVE PREFERENCES FOR LA WERE DEAD, AND,

FURTHERMORE, WHY HAD THE USG NOT ANSWERED PREVIOUS INQUIRIES ABOUT THE MATTER MADE THROUGH SIECA, THE SECRETARIAT FOR THE CENTRAL AMERICAN COMMON MARKET. END SUMMARY.

1. UPON RECEIPT REFTELS AND OTHER GUIDANCE, NOVEMBER 24, CHARGE CONTACTED ACTING FOREIGN MINISTER ROMAN, PRESIDENTIAL PLANNING COORDINATOR NARANJO, AND VICE MINISTER OF ECONOMY CARVAJAL (MINISTER OUT OF COUNTRY) WITH NEWS OF GSP ACTION AND IMPLICATIONS FOR COSTA RICA. REACTION WAS FAVORABLE COUPLED WITH INTEREST IN SEEINGSWSTAILED LIST ASAP. ON NOVEMBER 25, CHARGE HELD PRESS CONFERENCE AND RELEASED STATEMENT DRAWING ON GUIDANCE, ESPECIALLY REFTEL (B). PRESS COVERAGE FOLLOWING DAY WAS EXCELLENT (SAN JOSE 4994), ALTHOUGH THERE HAD BEEN NO EDITORIAL COMMENT THUS FAR. PRESIDENT ODUBER WAS QUOTED IN EXCELSIOR, NOVEMBER 27, AS SAYING, "...THAT GSP IS OF GREAT BENEFIT TO COSTA RICA." REFERRING TO THE POSSIBILITIES OPEN TO COSTA RICA, HE ADDED THAT "IF WE WORK WE CAN SELL TO THE UNITED STATES ALMOST EVERYTHING WE PRODUCE, BUT BASICALLY PRIMARY PRODUCTS." IN A CONTRASTING AND RESERVED TONE, ENRIQUE GONZALEZ OF THE EXPORT PROMOTION CENTER STATED, IN AN ARTICLE CARRIED BY EXCELSIOR OF NOVEMBER 28, THAT THE REAL BENEFIT COSTA RICA WILL DERIVE FROM GSP CANNOT BE CALCULATED UNTIL THE FINAL LIST OF PRODUCTS IS KNOWN. HE STATED THAT SOME PRODUCTS WHICH COSTA RICA PRODUCES IN QUANTITY AND ORIGINALLY RECOMMENDED FOR GSP WERE NOT ON THE FINAL LIST. HE ALSO DESCRIBED AND STRESSED THE COMPETITIVE NEED LIMITATIONS. ALTHOUGH HE DID NOT EXPLICITLY CALL THEM DISADVANTAGES TO COSTA RICA, THE CONTEXT OF HIS STATEMENT CLEARLY IMPLIED THAT IN HIS EYES THE COMPETITIVE NEED LIMITATIONS ARE MORE A HINDRANCE THAN A HELP.

2. AT REQUEST OF VICE MINISTER CARVAJAL, CHARGE AND ECONOMIC/COMMERCIAL OFFICER MET WITH WORKING LEVEL PEOPLE AT THE MINISTRY OF ECONOMY ON NOVEMBER 26. MEETING WAS CHAIRED BY OLMEDO CASTRO, DIRECTOR OF LIMITED OFFICIAL USE

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ECONOMIC INTEGRATION, PRESENTLY CHARGED WITH ALL TRADE MATTERS AS WELL. CASTRO AND HIS COLLEAGUES ACKNOWLEDGED THE IMPORTANCE OF GSP AND FORESAW GREAT POSSIBILITIES FOR COSTA RICA IN ITS PROVISIONS. THEY REPEATED INTEREST IN SEEING DETAILED GSP LIST ASAP.

3. HOWEVER, THEY EXPRESSED GREAT CONCERN ABOUT THE COMPETITIVE NEED LIMITATIONS OF THE GSP. USING

CHAYOTE AS AN ILLUSTRATION OF A PRODUCT PRESENTLY EXPORTED IN SMALL QUANTITIES BUT ALREADY RESTRICTED BY COMPETITIVE NEED, THEY FORCEFULLY STATED THEIR BELIEF THAT OTHER PRODUCTS WOULD SOON BE UP AGAINST EITHER ONE OF THE LIMITATIONS, THUS PUTTING COSTA RICA AT A COMPETITIVE DISADVANTAGE.

4. CASTRO ALSO ASKED IF THE ISSUE OF SPECIAL TRADE AGREEMENTS BETWEEN THE U.S. AND LATIN AMERICA IS COMPLETELY DEAD. ACCORDING TO HIM, PREVIOUS QUESTIONS TO THAT EFFECT DIRECTED TO THE U.S., PRINCIPALLY THROUGH SIECA, THE SECRETARIAT FOR THE CENTRAL AMERICAN COMMON MARKET, HAD GONE UNANSWERED. PURPORTING TO VOICE WIDESPREAD SENTIMENT IN HEMISPHERE, CASTRO STATED THAT LATIN AMERICA IS DISTURBED BECAUSE THE DOORS TO EUROPEAN MARKETS ARE IN EFFECT CLOSED BY THE PREFERENTIAL TREATMENT GIVEN TO DEVELOPING NATIONS IN AFRICA AND ASIA BY THEIR FORMER METROPOLISES. HE ADDED THAT JAPAN FOLLOWS THE SAME DISCRIMINATORY PRACTICE WITH THE ASIAN RIM NATIONS. HE DESCRIBED THESE DISCRIMINATORY PRACTICES AS NOT IN KEEPING WITH THE LETTER OR SPIRIT OF GATT. SPECIFICALLY TALKING ABOUT COSTA RICA, CASTRO GAVE THE EXAMPLE OF LOCALLY PRODUCED TOBACCO AND BANANAS HAVING DIFFICULTY ENTERING JAPAN. AT THIS JUNCTURE WE STRESSED THERE ARE GREATER ADVANTAGES IN FREER WORLD TRADE AND, WE BELIEVE, THAT GSP IS A STEP IN THAT DIRECTION.

5. FINALLY, CASTRO ASKED IF THE SAME COMPETITIVE NEED LIMITATIONS APPLIED TO PRODUCTS PRODUCED JOINTLY BY MORE THAN ONE DEVELOPING COUNTRY. IN RESPONSE, WE EXPLAINED THE PROVISIONS OF THE PARAGRAPH HEADED "LOCAL CONTENT REQUIREMENT" IN LIMITED OFFICIAL USE

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TITLE V OF THE TRADE ACT. HOWEVER, IN TRYING TO EXPLAIN THE MEANING OF THE STATEMENT: "SUCH COUNTRIES MAY ALSO BE AGGREGATED FOR PURPOSES OF THE COMPETITIVE NEED FORMULA," WE WERE NOT SURE HOW THE STATEMENT APPLIED TO THE 50-PERCENT LIMITATION ON TOTAL IMPORTS OF A PARTICULAR PRODUCT. AS A RESULT: IPWE PROMISED TO CONSULT THE DEPARTMENT ON THIS POINT.

6. COMMENT: HIGH LEVEL REACTION TO GSP ANNOUNCEMENT AS THUS FAR BEEN ENTHUSIASTIC AND UNCRITICAL. HOWEVER, WORKING LEVEL REACTION HAS BEEN MORE CIRCUMSPECT. GONZALEZ, CASTRO AND COMPANY SEE THE POSSIBILITIES BUT CHOOSE TO FOCUS ON THE LIMITATIONS WHICH THEY BELIEVE WILL SOON RESTRICT OTHER PRODUCTS

IN ADDITION TO CHAYOTE. IN FUTURE MEETINGS, ESPECIALLY
WHEN PRESENTINWZESE FINATT PRODUCT LIST, THE EMBASSY
WILL AGAIN ATTEMPT TO SHIFT THE FOCUS FROM THE
LIMITATIONS TO THE OPPORTUNITIES INHERENT IN GSP.
IN SO DOING, WE WILL CONTINUE WORKING ON THE NOTIONS OF
LHE TECHNICIANS IN THE MINISTRY OF ECONOMY. BUT WE
THINK THAT THE REAL KEY TO GSP ACCEPTANCE LIES IN THE
BUSINESS COMMUNITY AND IN THE STRENGTH OF THEIR REACTION
RFTO THE POSSIBILITIES FOR NEW EXPORT INDUSTRIES CONTAINED
IN THE PRODUCT LIST. TO THIS END, WE ARE ADDRESSING
ALL GSP REGDTEO MATERIAL TO THE LOCAL CHAMBERS AND OTHER
BUSINESS GROUPS AS WELLLM

7. ACTION REQUESTED: A. PLEASE CLARIFY COMPETITIVE
NEED LIMITATIONS IN THE CASE IN WHICH A PRODUCT IS
PRODUCED BY MORE THAN ONE DEVELOPING COUNTRY, WITH
PARTICULAR REFERENCE TO THE CENTRAL AMERICAN COMMON
MARKET. B. PLEASE COMMENT ON CASTRO'S QUESTION
CONTAINED IN PARA 4 ATDVE. EMBASSY NOT AWARE OF
ALLEGED EARLIER REPRESENTATIONS TO USG BY SIECA
REGARDING SPECIAL PREFERENCES FOR LATIN AMERICAN
COUNTRIES, BUT BELIEVE THEY MAY HAVE OCCURRED FOLLOWING
EARLIER JOINT MEETING IN GUATEMALA ON APRIL 7-8, 1975.

ZSDMAN

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